

Financial Accounting and Reporting Guidelines
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Procedures for Preparing the Financial Statement Template

The attached procedures provide Higher Education Institutions (HEIs) with accounting and financial reporting entries for transactions associated with various financing programs. Having all HEIs follow consistent procedures for these programs will facilitate proper reporting in the Commonwealth's Comprehensive Annual Financial Report (CAFR). These procedures are effective for FY 2007 and thereafter. The guidelines are for the following programs:

Department of Treasury Reimbursement Programs (See Note A) – refer to pages 2 - 7

- **Virginia College Building Authority (VCBA) 21st Century**
- **VCBA Equipment Trust Fund (ETF)**
- **General Obligation Bonds (GOB) – 9b**
- **Virginia Public Building Authority (VPBA)**

VCBA Pooled Bonds – refer to pages 8 - 10

Virginia Energy Leasing Program (VELP)/Energy Performance Contracts – refer to page 11

Note A: The reporting guidelines for Treasury's Reimbursement Programs have changed from the prior year. These are all reimbursement based programs; therefore, guidelines have been revised to report these programs consistently.

Treasury's Reimbursement Programs Overview

This section is to discuss the following reimbursement programs administered by the Department of Treasury (Treasury):

VCBA 21st Century
VCBA Equipment Trust Fund
General Obligation Bonds (GOB) – 9b
Virginia Public Building Authority

VCBA 21st Century: Each HEI receives a specified amount of bond proceeds to finance capital projects. The HEIs do not report the bonds payable in the HEI's financial statements. The debt is reported by the Virginia College Building Authority (VCBA). HEIs must incur the expenses which are reported in fund 0817 in the Commonwealth's Accounting and Reporting System (CARS) and then request reimbursement from Treasury. After Treasury reviews the request, the reimbursement is recorded in fund 0817 general ledger account (GLA) 972, Proceeds from Sale of Revenue Bonds. This is a reimbursement based program; therefore, CARS usually has a negative cash balance in fund 0817.

VCBA Equipment Trust Fund (ETF) acquisitions are considered to be purchases. Each HEI owns the equipment immediately upon purchase and has no liability to report on the HEI's financial statements. Each HEI is allocated a specified amount to spend. As HEIs incur expenses, the HEI notifies Treasury, and Treasury then reimburses the HEIs for the amount spent. Treasury receives a wire from the Trustee (Off CARS) and deposits the reimbursement in the HEI's Fund 03xx, GLA 547, Suspense Account – Deposits Pending Distribution or in the account requested by the HEI. HEIs use ATV's to distribute the money to the proper account(s).

General Obligation Bonds (GOB): Each HEI receives a specified amount of General Obligation Bond (GOB-9b) proceeds to finance capital projects. The HEIs do not report the bonds payable in the HEI's financial statements. This is debt of the Commonwealth. HEIs must incur the expenses which are reported in fund 0811 in the Commonwealth's Accounting and Reporting System (CARS) and then request reimbursement from Treasury. After Treasury reviews the request, Treasury records the reimbursement in fund 0811 general ledger account (GLA) 971, Proceeds from Sale of GOB. This is a reimbursement based program; therefore, CARS usually has a negative cash balance in fund 0811.

Virginia Public Building Authority (VPBA): This is similar to the GOB program; however, the activity is reported in fund 0820 or 0821 and GLA 972 on CARS.

Treasury's Reimbursement Programs Comparison of Prior Year and Current Year Reporting Guidelines

For FY 2006 and prior years, the higher education institutions (HEIs) were provided guidance on how to report activity on the financial statement template for certain reimbursement programs administered by Treasury. **The following is an overview of the guidance for FY 2006:**

Program	Revenue	Appropriation available/due from
VCBA 21 st Century	Allotments	Unexpended allotments & negative cash
VCBA ETF	Reimbursements from Treasury (plus accruals/less reversals)	Unreimbursed expenses as of year-end (negative cash & payables)
GOB	Allotments	Unexpended allotments & negative cash
VPBA	Allotments	Unexpended allotments & negative cash

Based on discussions with Treasury, **the above guidelines are revised for FY 2007 as follows:**

Program	Revenue (see Note B)	Due froms (year-end accruals) (see Note C)
VCBA 21 st Century	Reimbursements from Treasury (plus accruals/less reversals)	Unreimbursed expenses as of year-end (negative cash & payables)
VCBA ETF	Reimbursements from Treasury (plus accruals/less reversals)	Unreimbursed expenses as of year-end (negative cash & payables)
GOB	Reimbursements from Treasury (plus accruals/less reversals)	Unreimbursed expenses as of year-end (negative cash & payables)
VPBA	Reimbursements from Treasury (plus accruals/less reversals)	Unreimbursed expenses as of year-end (negative cash & payables)

Note B: Revenue should be calculated as follows:

$$\begin{array}{r}
 \text{Cash basis reimbursement – FY 2007} \\
 \text{Less: reversal of prior year's "Due from"} \\
 \text{Add: accrual of current year's "Due from"} \\
 \hline
 \text{Total revenue - FY 2007}
 \end{array}$$

Note C: Since the amounts reported by the HEIs and Treasury as due froms/due tos at year-end should agree, additional guidance must be provided to determine the amounts to accrue. The additional guidance is as follows: *Any reimbursement requests processed by Treasury in July and August 2007 must be analyzed by HEIs to determine what amounts are for goods/services received on or prior to June 30, 2007. This should be the same amount as the year-end unreimbursed expenses (negative cash & payables). There could be some payables after the August cut-off related to these programs (i.e. retainage payable); however, there has to be a reasonable cut-off in order to ensure due froms/due tos reported on the Commonwealth's Comprehensive Annual Financial Report (CAFR) agree.*

Treasury's Reimbursement Programs Financial Statement Template Line items
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Below is a comparison of the prior year and current year financial statement template line items.

Program	Prior year's financial statement template line items - Assets	FY 2007 new financial statement template line items – Assets (see Note D)
VCBA 21 st Century	Appropriations Available-21 st Century	Due from Component Units (VCBA 21 st Century)
VCBA ETF	Due from Primary Government	Due from Component Units (VCBA ETF)
GOB	Appropriations Available-GOB	Due from Primary Government (GOB)
VPBA	Appropriations Available-VPBA	Due from Primary Government (VPBA)

Program	Prior year's financial statement template line items - Revenue	FY 2007 new financial statement template line items – Revenue (see Note D)
VCBA 21 st Century	Appropriation Revenue-21 st Century	Revenue from VCBA (21 st Century)
VCBA ETF	Capital Gifts and Grants (ETF) Other Gifts and Grants (ETF)	Revenue from VCBA (ETF)
GOB	Appropriation Revenue-GOB	Capital Contributions from Treasury (GOB)
VPBA	Appropriation Revenue-VPBA	Capital Contributions from Treasury (VPBA)

Note D: Even though Treasury administers all of these programs, the different line items for FY 2007 represent the required presentation in the CAFR from Treasury's perspective. Since the Virginia College Building Authority (VCBA) and the HEIs are all reported as component units in the CAFR, VCBA will report a Due to Component Units in the VCBA financial statements equal to the amounts reported by the higher education institutions as a Due from Component Units. The GOB and VPBA programs are reported in the CAFR as part of the primary government's special revenue funds. The special revenue funds will report a Due to Component Units equal to the amounts reported by the HEIs as a Due from Primary Government. Due tos/froms reported in the CAFR must equal across all funds. All four programs are primarily used for capital asset/construction costs; however, since VCBA is a component unit, this revenue is reported on different financial statement template line items to identify revenue from another component unit.

Treasury's Reimbursement Programs "Due from" Amounts for FY 2007 Analysis of July & August 2007 - Reimbursement Requests

HEIs must submit reimbursement requests for unreimbursed expenses as of year-end to be received by the Department of Treasury no later than **August 24th**. The reimbursement requests may not include any due dates past August 31st to ensure the requests are processed by the end of August. Treasury will require each reimbursement request for July and August to identify the amounts that are for unreimbursed expenses as of year-end (goods/services received prior to year-end) versus those that are for current year activity. Treasury will not process any reimbursement requests during July and August without this information. Adequate supporting documentation of these amounts must be available for the Auditor of Public Accounts (APA), Treasury, or Department of Accounts (DOA) if requested. In addition, reimbursement requests for the ETF program must be approved by State Council of Higher Education for Virginia (SCHEV) before being sent to Treasury for reimbursement. These reimbursements need to be sent to SCHEV prior to **August 17th** to ensure the requests are processed by Treasury in time to meet the August 31st cutoff.

Treasury's Reimbursement Programs "Due from" Amounts for FY 2006 & Restatements
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This change in reporting will result in restatements. Below is a summary of how prior year "due from" amounts should be determined. There should be a restatement because of differences in amounts reported last year as "appropriations available" and amounts that should have been reported last year as a "due from" had the new reporting guidelines been followed. See instructions to Attachment HE-8, Treasury's Reimbursement Programs, in the Comptroller's Directive No. 2-07 for additional information.

Program	Prior year Amounts
VCBA 21 st Century	Treasury analyzed reimbursement requests processed in July and August 2006 and determined the amounts that should be reported as a "Due from" by the HEIs based on Treasury's analysis of negative cash as of year-end and P-vouchers for FY 2006. These amounts are provided in the Appendix 1 of the instructions to Attachment HE-8. The HEIs can use these amounts to determine the restatement amount. If the HEIs disagree with Treasury's amounts, the HEIs must analyze the reimbursement requests processed by Treasury in July & August 2006 to determine the amounts that should have been reported as a Due from Component Units under the revised guidelines. See Attachment HE-8 for further guidance.
VCBA Equipment Trust Fund	The HEIs were required to report unreimbursed expenses as of year-end as a "Due from" on the FST for FY 2006. HEIs do not have to restate for this program; however, the HEIs must only report a "due from" for FY 2007 that are attributable to unreimbursed expenses as of year-end that Treasury reimburses by August 31, 2007.
GOB & VPBA	The HEIs must analyze the reimbursement requests processed by Treasury in July and August 2006 to determine the amounts that should have been reported as a Due from Primary Government under the revised guidelines. See Attachment HE-8 for further guidance.

Treasury's Reimbursement Programs – Example Entries
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Please use the following table as guidance in preparing the entries for the institution for the following programs:

VCBA 21st Century
VCBA Equipment Trust Fund
General Obligation Bonds (GOB) – 9b
Virginia Public Building Authority

(Note: In some cases the specific financial statement template (FST) line item is not provided. Use professional judgment to determine the appropriate FST line item. Also, example entries are not provided for the reversal/restatement amounts. Those entries must be determined by the institutions.)

College/University Accounting Entry	Activity
Expenses Cash To record expenses for Treasury's Reimbursement Programs	Institution makes purchase in accordance with Treasury's/VCBA's guidelines. (Purchases under the ETF program must be approved by SCHEV also.)
Capital Asset Expenses To reclassify capitalizable equipment purchased	Institution purchases approved equipment subject to reimbursement by Treasury/VCBA and purchase meets capitalization criteria.
Cash Revenue (See Note E on page 7) To record reimbursement from VCBA/Treasury	Treasury/VCBA reimburses the institution for the purchases.
Capital Assets (for capitalizable assets) Expenses (for noncapitalizable assets) Accounts Payable To record expenses that represent payables at June 30	Institution identifies payables at June 30.
"Due from" (See Note E on page 7) Revenue (see Note E on page 7) To record a "Due from" the Commonwealth (Primary Government) or VCBA (Component Unit) for unreimbursed expenses as of year-end (goods/services received on or prior to June 30) and reimbursed by Treasury/VCBA in July or August	Institution receives reimbursement in July or August for goods/services received on or prior to June 30.

Treasury's Reimbursement Programs – Example Entries, <i>continued</i>
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Note E: The specific FST line items for the “Due from” and revenue line items depend on the program.

Program	FY 2007 new financial statement template line items – “Due froms”	FY 2007 new financial statement template line items – Revenue
VCBA 21 st Century	Due from Component Units (VCBA 21 st Century)	Revenue from VCBA (21 st Century)
VCBA ETF	Due from Component Units (VCBA ETF)	Revenue from VCBA (ETF)
GOB	Due from Primary Government (GOB)	Capital Contributions from Treasury (GOB)
VPBA	Due from Primary Government (VPBA)	Capital Contributions from Treasury (VPBA)

VCBA Pooled Bond Program

The Pooled Bond Program was created by the 1996 Session of the General Assembly and the first bonds were issued in September 1997. Proceeds from the sale of bonds under this program are used to finance or refinance specified capital projects. These 9(d) bonds are payable from institution revenues, not General Fund appropriations. As expenses are incurred, the Trustee is notified and must reimburse the HEIs for the amount spent. Because of the delays in processing requisitions, there may be a negative cash situation, as with GOB and 21st Century entries. Please use the following table as guidance in preparing entries for the Pooled Bond Program. (Note: In some cases the specific financial statement template (FST) line item is not provided. Use professional judgment to determine the appropriate FST line item.)

College/University Accounting Entry	Pooled Bond Activity
Restricted Cash Expenses (for any closing costs (see Note F) and/or bond discounts (see Note G) that are applicable) Revenue – Miscellaneous (for any premium associated with the agreement—see Note G) Note Payable (DO NOT use Bonds Payable because Pooled Bond is an actual Note between VCBA and the institution)	Record the agreement between VCBA and the HEI
Note F: This entry assumes that closing costs are immaterial and will be expensed. However, if the institution amortizes the institution's closing costs, please continue to do so using the methodology that is appropriate for the institution. Note G: Previously, these line items could be used if amounts were immaterial. However, starting with FY 2006 issuances, bond discounts/premiums should be reported on the Notes Payable line item and amortized over the life of the note.	
Restricted Cash Revenue	Record accrued interest revenue
Expenses (capitalizable and noncapitalizable assets) Restricted Cash	Expenses incurred on capital project
Capital Asset (by category for capitalizable assets) Expenses	Reclassify expenses for capitalizable assets
Note Payable (Principal retirement -for principal payment) Expenses (Interest on long term debt - for interest payment) Cash	To pay principal and interest payments using cash from the HEI's operating revenue

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VCBA Pooled Bond Program, *continued*

College/University Accounting Entry	Pooled Bond Activity
Capital Assets (by category for capitalizable assets) Expenses (noncapitalizable assets) Accounts Payable	Institution identifies payables at June 30 th

VCBA Pooled Bond Refundings: GASBS No. 23 must be followed to properly report refundings. GASBS No. 23 requires the difference between the reacquisition price and the net carrying amount of the old debt to be deferred and amortized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. The entries below are some simple examples of the entries needed; however, refer to GASBS No. 23 for additional guidance. For any refundings, all relevant information pertaining to the refunding transactions will be provided by VCBA staff. This information should be used in calculating the required GASBS No. 23 adjustments. If necessary, contact VCBA staff for information regarding the refundings.

Example 1) Reacquisition price (repay previously issued debt)	\$100,000
Net carrying amount of old debt	<u>90,000</u>
Loss on refunding	\$ <u>10,000</u>

Notes Payable (old debt) \$90,000	To record the refunding of the old debt when there is a loss
Notes Payable (loss) 10,000	
Cash \$100,000	

Interest Expense (see Note H) 1,000	Annual entry to record the amortization of the loss (This example assumes 10 years as the amortization period.)
Notes Payable \$1,000	
Note H: Debit the operating and nonoperating expense line item on the financial statement template.	

VCBA Pooled Bond Program, <i>continued</i>

Example 2) Reacquisition price (repay previously issued debt)	\$100,000
Net carrying amount of old debt	<u>110,000</u>
Gain on refunding	\$ <u>10,000</u>

Notes Payable (old debt)	\$110,000		To record the refunding of the old debt when there is a gain
Cash		\$100,000	
Notes Payable (gain)		10,000	

Notes Payable	1,000		Annual entry to record the amortization of the gain (This example assumes 10 years as the amortization period.)
Interest Expense (see Note I)		\$1,000	
Note I: Credit the Operating and Nonoperating expense line item on the financial statement template.			

Virginia Energy Leasing Program/Energy Performance Contracts

The Treasury Board administers the lease financing program for energy efficiency projects. These projects are intended to reduce energy consumption and demand or allow for the use of an alternative energy source. In some cases these projects are funded through escrow financing. A bank account is established for the institution to purchase equipment or pay for other project expenses over a certain period of time. This type of funding should be reported as installment purchase obligations. Below are example entries of how to record activity related to the escrow funding of these projects. (Note: In some cases the specific financial statement template (FST) line item is not provided. Use professional judgment to determine the appropriate FST line item.)

<div>Restricted Cash</div> <div>Installment Purchase Obligations</div>	<div>Record escrow funds to be used by the HEI for the energy efficiency projects.</div>
<div>Expenses</div> <div>Restricted Cash</div> <div>Capital Assets</div> <div>Expenses</div>	<div>Record payments to contractors from the escrow funds.</div> <div>Reclassify expenses that meet capitalization threshold.</div>
<div>Interest Expense (see Note A)</div> <div>Installment Purchase Obligations</div> <div>Cash</div> <div>Note A: Debit the operating and nonoperating expense line item on the financial statement template.</div>	<div>Payment on installment purchase obligation</div>
<div>Restricted Cash</div> <div>Revenue</div>	<div>Record investment earnings on escrow funds.</div>
<div>Capital Assets (for capitalizable equipment)</div> <div>Expenses (for noncapitalizable equipment)</div> <div>Accounts Payable</div>	<div>Institution identifies payables at June 30.</div>

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